

Message Text

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TO AMEMBASSY MANILA

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MANILA POUCH CEBU

E.O. 11652:N/A

TAGS: EAGR, EINV, RP

SUBJECT:SUGAR: "SUCREST AGREES TO SELL ITS SWEETENER
DIVISION TO PHILIPPINE BROKER"

BEGIN UNCLASSIFIED WALL STREET JOURNAL CARRIED FOLLOWING
ARTICLE UNDER ABOVE SUBJECT TITLE ON AUGUST 25:

QUOTE SUCREST CORP.SAID IT AGREED TO SELL ITS SWEETENER
DIVISION, WHICH REPRESENTS TWO-THIRDS OF THE COMPANY'S
SALES, TO ANTONIO FLOIRENDO, A PHILIPPINE SUGAR BROKER,
FOR \$11.8 MILLION. MR. FLOIRENDO HEADS SUGAR REFINING
CORP. OF AMERICA, A PRIVATELY OWNED COMPANY FORMED FOR
THE PURPOSE OF THE ACQUISITION, SUCREST SAID.

QUOTE THE SALE, WHICH IS SUBJECT TO SHAREHOLDER APPROVAL
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AT A MEETING SET FOR OCT. 19, IS FOR DOLS 5 MILLION IN CASH
AND THE BALANCE IN PROMISSORY NOTES PAYABLE OVER 75
MONTHS.

QUOTE THE SWEETENER DIVISION'S ASSETS INCLUDE SUGAR-CANE
REFINERIES IN BROOKLYN, N.Y. AND CHICAGO, AS WELL AS THE
CHARLESTOWN,MASS., REFINERY OF SUCREST'S SUBSIDIARY,

REVERE SUGAR REFINERY. MR. FLOIRENDO'S COMPANY WILL ASSUME THE DIVISION'S CURRENT LIABILITIES.

QUOTE FOR THE YEAR ENDED MAY 28, THE SWEETENER DIVISION ACCOUNTED FOR DOLS 4.2 MILLION OF THE COMPANY'S DOLS 10.2 MILLION OF EARNINGS BEFORE TAXES AND EXTRAORDINARY ITEMS. SALES OF THE DIVISION ACCOUNTED FOR DOLS 224.5 MILLION OF THE COMPANY'S DOLS 296.2 MILLION IN TOTAL SALES.

QUOTE RUDOLPH EBERSTADT JR., WHO BECAME PRESIDENT AND CHIEF EXECUTIVE OFFICER OF SUCREST LAST MONTH, SAID THE COMPANY SOLD THE DIVISION TO ENHANCE EARNINGS AND TO EXPAND ITS DIVERSIFIED-PRODUCTS DIVISION, WHICH BLENDS EDIBLE MOLASSES AND RELATED SYRUPS AND MAKES SUGAR-BASED SPECIALITY PRODUCTS FOR THE BAKING, CONFECTIONERY AND FOOD-PROCESSING INDUSTRIES. IT ALSO MAKES INGREDIENTS FOR THE BAKING AND PREPARED-MIX INDUSTRIES AND ANIMAL-FEED SUPPLEMENTS AND PHARMACEUTICAL INGREDIENTS.

QUOTE "IN THE COMPANY'S OPINION," A NEWS RELEASE SAID, "THE POTENTIAL FOR GROWTH OF THE DIVERSIFIED-PRODUCTS GROUP IS GREATER THAN THAT OF THE SWEETENER DIVISION AND DOESN'T INVOLVE THE HEAVY DEMAND OF THE COMPANY'S AVAILABLE CREDIT FACILITIES MADE BY THE DIVISION."

QUOTE SUCREST SAID OTHER ADVANTAGES OF THE SALE INCLUDE LIMITED OFFICIAL USE

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A STRENGTHENING OF THE COMPANY'S BALANCE SHEET BY ELIMINATION OF HEAVY SHORT-TERM DEBT NEEDED TO FINANCE RAW-SUGAR INVENTORIES. PROCEEDS OF THE SALE WILL BE USED TO RETIRE LONG-TERM DEBT, ENABLING THE COMPANY TO BECOME LARGELY DEBT-FREE.

QUOTE SALE OF THE SWEETENER DIVISION ALSO WOULD BE A FAREWELL TO A LOT OF BAD MEMORIES, INCLUDING INVESTIGATIONS INTO ADJUSTMENTS SUCREST MADE IN ITS RAW-SUGAR INVENTORIES. A SECURITIES AND EXCHANGE COMMISSION INVESTIGATION CONCLUDED THAT SUCREST AND OTHERS ENGAGED IN SHAM TRANSACTIONS IN 1975 AND 1976 THAT ENABLED THE COMPANY TO MANIPULATE ITS INVENTORY ACCOUNTING BASE TO FALSELY REPORT LOWER EARNINGS AND INCUR LOWER INCOME-TAX LIABILITIES. SUCREST, WHILE IT DIDN'T ADMIT WRONGDOING, AGREED IT WOULDN'T ENGAGE IN SUCH ACTIVITIES IN THE FUTURE. END QUOTE END UNCLASSIFIED

BEGIN LIMITED OFFICIAL USE COMMENT: RUMOR HAS IT THAT FLOIRENDO'S SON-IN-LAW, DEL ROSARIO, WILL MANAGE U.S. OPERATION. SUCREST, ACCORDING TO AMERICAN SUGAR INDUSTRY SOURCE, IS NOW TRYING TO BRING IN AN AS MUCH

PHILIPPINE SUGAR AS POSSIBLE BEFORE ANTICIPATED SHARP
INCREASE IN U.S. TARIFF. END LIMITED OFFICIAL USE.

CHRISTOPHER

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